

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT –  
USPS CONNECT LOCAL MAIL

Docket No. MT2022-1

UNITED STATES POSTAL SERVICE NOTICE OF  
MARKET TEST OF EXPERIMENTAL PRODUCT – USPS CONNECT LOCAL MAIL  
(November 10, 2021)

Pursuant to 39 U.S.C. § 3641 and 39 C.F.R. Part 3035, and as directed by our Governors, the United States Postal Service plans to launch a market test of an experimental product called USPS Connect Local Mail on January 9, 2022. In this Notice, the Postal Service describes the USPS Connect Local Mail concept and demonstrates that the market test will comply with applicable legal requirements.

**Description of USPS Connect Local Mail**

USPS Connect Local Mail is designed to address the needs of businesses that send important documents locally with regular frequency. Currently, when these mailers wish to send documents for same-day or next-day arrival through the Postal Service, they are directed to use a variety of our services that were designed for end-to-end mailing over longer distances than USPS Connect Local Mail and are priced accordingly. The Postal Service believes that local document delivery could benefit from increased competition, and that economical local document delivery is a market that is currently underserved by USPS. The Postal Service therefore proposes USPS

Connect Local Mail as an economical alternative for customers that mail close to their places of business.

In this sense, USPS Connect Local Mail is the document-focused counterpart to the package-focused USPS Connect Local, which will be launched nationally as part of a phased rollout throughout 2022. These initiatives are intended to offer improved access to the Postal Service network for local mailers, and the Postal Service considers each product as important to the success of the other. Furthermore, both products leverage the Postal Service's unparalleled last-mile infrastructure to create economical new solutions for customers.

During the market test, USPS Connect Local Mail would be a First-Class Mail product accepted at Destination Delivery Units (DDUs) or by carrier pick-up in line-of-travel (LOT). By requiring local induction, the Postal Service can offer same-day or next-day delivery to every address served by the delivery unit of a local Post Office. The Postal Service plans to deliver USPS Connect Local Mail six days per week (no Sunday delivery), with customers receiving same-day or next-day delivery based on whether they've entered their mail within the Critical Entry Time (i.e., 5 a.m.-7 a.m. for same-day delivery). The Postal Service also plans to offer tracking for USPS Connect Local Mail. Initial pricing for this service will be \$2.95 for a Letter or Flat size mailpiece with a weight up to 13 ounces. Since this product bypasses end-to-end transportation costs, pricing for USPS Connect Local Mail will cover the attributable costs for each piece of USPS Connect Local Mail. Attributable costs for USPS Connect Local Mail is estimated at \$2.03 per piece. This estimate is based off the volume variable cost for

Priority Mail flats, with some modifications to reflect the differences in mail processing, transportation, and packaging costs.

USPS Connect Local Mail is targeted to customers that mail multiple documents per week, such as law firms, medical offices, and real estate firms. Documents mailed using this service must be paper-based and may contain personal information.

Customers will have the option to pay for USPS Connect Local Mail using Click-N-Ship or through a Postal Service application programming interface (“API”).

The Postal Service will test USPS Connect Local Mail nationwide, with a phased rollout as noted above. The Postal Service intends for the market test to run for two full years beginning January 9, 2022; however, it is possible that the Postal Service may decide to seek permanent product status earlier, or alternatively we may seek authority for an additional year of testing if more time is needed to determine the feasibility or desirability of the product.

### **Compliance with 39 U.S.C. § 3641(b) Conditions**

Section 3641 of title 39 and the Commission’s implementing rules at 39 C.F.R. Part 3035 set forth conditions that a market test must meet. As explained below, the Postal Service has determined that the proposed market test will satisfy each of these conditions.

First, as required by subsection (b)(1) of section 3641, from the viewpoint of mail users, USPS Connect Local Mail is significantly different from all products offered by the Postal Service within the last two years. USPS does not currently offer an expedited First-Class Mail product for local mailers to quickly and cost effectively mail local

personalized correspondence. Furthermore, mailers are not offered packaging free of charge or tracking in connection with First-Class Mail products. Currently, mailers can use Priority Mail Express and Priority Mail to deliver local mail. However, the Priority products are intended for nationwide, end-to-end shipping and their pricing reflects these higher costs. USPS Connect Local Mail will be an attractive option for local mailers because it is significantly different from other products currently offered by the Postal Service, and it is priced more economically than the current expedited letter products.

Second, as required by subsection (b)(2) of section 3641, USPS Connect Local Mail will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer. This product is designed to increase small business access to the USPS network and it leverages the Postal Service's existing delivery network to address a need for locally-focused small businesses. USPS believes its entry into this space is justified because it can offer a low-priced alternative in a market that is arguably underserved by USPS.

Third, as required by subsection (b)(3) of section 3641, USPS Connect Local Mail is properly categorized as market-dominant given the Postal Service's monopoly over letter delivery. This monopoly arises from the Private Express Statutes, which prohibit any "private express" from conveying letters or packets over postal routes. At this time, the Postal Service is not structuring USPS Connect Local Mail to meet any of the exceptions or suspensions to the Private Express Statutes.

## **Estimated Total Revenue and Data Collection Plan**

Volumes and revenues for USPS Connect Local Mail are difficult to predict, as customer demand for this service is unknown. Nevertheless, it is the Postal Service's hope that the test will generate significant customer interest, and therefore it is possible that the Postal Service may eventually need to seek a waiver of the annual statutory limitation of \$11,860,140. If the Postal Service should approach this annual limitation, it will furnish the appropriate notice to the Commission and submit an application for exemption from the cap under 39 U.S.C. § 3641(e)(2) in a timely manner.

To better understand the results of the market test, the Postal Service intends to collect the following data by district on a quarterly basis:

- Volume of USPS Connect Local Mail;
- Number of customers using USPS Connect Local Mail; and
- Revenues from USPS Connect Local Mail.

In addition, the Postal Service will collect data regarding its attributable costs associated with USPS Connect Local Mail, including the administrative costs of the test, and report such data annually.

Consistent with 39 U.S.C. §3641(c)(1), the Postal Service is filing notice of this market test in the *Federal Register*.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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